

## Message Text

LIMITED OFFICIAL USE

PAGE 01 JIDDA 03782 01 OF 03 281449Z

50

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 SAM-01 FEAE-00

PRS-01 NSC-05 SS-15 STR-04 CEA-01 PA-01 AGR-05 /098 W  
----- 089785

R 280900Z MAY 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 1374

INFO AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

LIMITED OFFICIAL USE SECTION 1 OF 3 JIDDA 3782

E.O. 11652: N/A

TAGS: USSAEC, EGEN, SA, US

SUBJECT: SAUDI FIVE-YEAR PLAN BRIEFING AND EVALUATION

REF: STATE 116959

BEGIN SUMMARY: BASED ON ORAL BRIEFINGS, THE SECOND FIVE-YEAR PLAN FOR SAUDI ARABIA APPEARS TO BE THREE TIMES LARGER THAN WAS ANTICIPATED THREE MONTHS AGO. IT IS NOT REALISTIC IN TERMS OF SPENDING. HOWEVER, AS A GUIDE TO WHAT THE KINGDOM INTENDS TO ACCOMPLISH, THE PLAN WILL PROBABLY TURN OUT TO BE A USEFUL DOCUMENT WHEN IT IS PRINTED AND AVAILABLE THREE MONTHS FROM NOW. INVESTMENT OF SURPLUSES APPEARS TO BE LARGELY IGNORED. EMBASSY WILL MAKE MORE COMPREHENSIVE COMMENTS WHEN THE PLAN DOCUMENT ITSELF IS AVAILABLE.  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 JIDDA 03782 01 OF 03 281449Z

ABLE. MEANWHILE, USG SOURCES SHOULD RESTRAIN

PUBLIC ECONOMIC CRITIQUES, RECOGNIZING THAT THIS SECOND PLAN AIMS TO LEAVE THE KINGDOM WITH MAXIMUM FLEXIBILITY TO JUSTIFY MAINTAINING AT LEAST THE PRESENT LEVEL OF OIL PRODUCTION, A GOAL WE SHARE WITH SAG. END SUMMARY

1. ANNOUNCEMENT OF PLAN: FIVE-YEAR PLAN APPROVED BY COUNCIL OF MINISTERS MAY 18 BUT ANNOUNCEMENT AND PRESS BRIEFING ON PLAN DELAYED BY PRESIDENT OF CENTRAL PLANNING HISHAM NAZER UNTIL MAY 22. EMBASSY ATTEMPTS TO SECURE ADVANCE COPY OF PLAN HAVE NOT BEEN SUCCESSFUL, PARTLY BECAUSE OF LAST-MINUTE CHANGES AND EDITING. PLAN DOCUMENT ITSELF IS STILL CLOSELY HELD BY BOTH CPO AND FOREIGN ADVISERS AND VICE PRESIDENT FAYEZ BADR HAS AGREED ONLY TO TAKE "UNDER ADVISEMENT" OUR REQUEST FOR CONFIDENTIAL COPY HE ONCE PROMISED. PRINTING AND DISTRIBUTION OF DOCUMENT IS STILL THREE MONTHS AWAY.

2. NAZER PRESS CONFERENCE OF MAY 22 WAS REMARKABLE NINETY MINUTE BRIEFING ON PLAN THAT APPARENTLY LEFT MORE QUESTIONS UNANSWERED THAN ANSWERED AS TO NEW DIRECTIONS SAUDI ECONOMY MAY TAKE. EXAMPLE IS ALMOST COMPLETE LACK OF ANYTHING BUT GENERAL EXPLANATIONS ON SECTORAL FUNDING, ADDING UP TO TOTAL OF 498 BILLION RIYALS. DISCUSSIONS WITH FOREIGN ADVISERS INDICATE THAT FINANCIAL COSTING BEHIND PLAN, WHICH HAD BEEN PROCEEDING ON FAIRLY RATIONAL AND SCIENTIFIC BASIS UNTIL TWO MONTHS AGO, WAS DRASTICALLY CHANGED AND GOALS RAISED BY ALMOST THREE HUNDRED PERCENT. FURTHERMORE, NO RPT NO FOREIGN INVESTMENT GOALS ARE SAID TO INCLUDED IN FINAL PLAN ALTHOUGH GUIDELINES HAD SPECIFIED QUITE CLEARLY THE NEED FOR SUCH PLANNING.

3. LABOR FORCE: EXAMPLE OF LACK OF REAL BASIS FOR PLAN IS FACT THAT LABOR FORCE FIGURES GIVEN (1.6 MILLION, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 JIDDA 03782 01 OF 03 281449Z

GROWING TO 2.3 MILLION IN FIVE YEARS) NOT BASED ON ANY IDENTIFIABLE CENSUS DATA. WHILE FIGURES MAY OR MAY NOT BE ROUGHLY ACCURATE, WORK ON CENSUS HAS BEEN SHELVED FOR THREE MONTHS NOW AND LATEST PROPOSAL BY CENSUS DIRECTOR IS THAT THEY AT LEAST BE PERMITTED TO PUT TOGETHER FIGURES FOR NINETYP PERCENT OF EACH OF THE PROVINCES OR AMIRATES IN THE KINGDOM, THUS AVOIDING THE POLITICALLY

VOLATILE QUESTION OF WHAT ARE FINAL TRUE FIGURES  
FOR SOME OF THE SMALLER AND LESS IMPORTANT  
AMIRATES (WHO HAVE BEEN CLAIMING INFLATED FIGURES  
APPARENTLY FOR SUBSIDY PURPOSES). WITHOUT SUCY  
CENSUS FIGURES, PLAN BECOMES ONE LARGELY AIMED  
AT GUESSES OF WHAT IS EXISTING POPULATION AND  
LABOR FORCE IN MAIN CENTERS.

4. INDUSTRIAL CONTENTS: IF PLAN HAD BEEN DONE  
WITH HONEST INTENTION OF ADMITTING THAT SAG CANNOT SPEND ALL OF  
ITS POTENTIAL REVENUE THAN PLAN DOCUMENT MIGHT HAVE BEEN THE BASIS  
FOR FORWARD THINKING IN ALL FIELDS, MANPOWER,  
INDUSTRIALIZATION AND SOCIAL INFRASTRUCTURE.  
AS IT IS, WITH AIM APPARENTLY TO PROVE THAT SAG  
WILL SPEND ALL OF INCOME FROM 8 MILLION BARRELS  
PER DAY PROJECTED RATE OF PRODUCTION, REALISTIC  
USE OF PLAN DOCUMENT BY SAUDI OR WESTERN ECONOMISTS IS  
HARD. WITH THIS WARNING, COMMENTS BY EMBASSY  
FROM VARIETY OF SOURCES ON WHAT HAS SO FAR BEEN  
REVEALED FOLLOWS:

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 JIDDA 03782 02 OF 03 281058Z

50

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 SAM-01 FEAE-00

PRS-01 NSC-05 SS-15 STR-04 CEA-01 PA-01 AGR-05 /098 W

----- 087375

R 280900Z MAY 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 1375

INFO AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

LIMITED OFFICIAL USE SECTION 2 OF 3 JIDDA 3782

A. PLAN IS KEYED TO POLITICAL AND ECONOMIC DESIRE OF SAUDI GOVERNMENT TO CREATE BOTH WESTERN AND EASTERN PROVINCE INDUSTRIAL DEVELOPMENT. FORMER WILL BE CENTERED ON YANBU AND LATTER AT JUBAIL. SPECIFICALLY MENTIONED BY NAZER WAS THE STEEL MILL AT JUBAIL, AN ALUMINUM PLANT, TWO REFINERIES, THREE PETROCHEMICAL COMPLEXES; IN ADDITION THERE WILL BE TWO FERTILIZER PLANTS, ONE CEMENT FACTORY, GRAIN SILOS AND FLOUR MILLS AT DAMMAM IN THE EASTERN PROVINCE. AT YANBU, A REFINERY, ANOTHER PETROCHEMICAL PLANT, AND A CEMENT FACTORY WOULD BE BUILT. ANOTHER CEMENT FACTORY IS PLANNED FOR JEDDAH TOGETHER WITH EXPANSION OF PRESENT REFINERY TO 60,000 BD. THE BUILDING OF ANOTHER 80,000 BD REFINERY AND A SMALL LUBRICANT PLANT IS ALSO PLANNED FOR JEDDAH.

B. RIYADH WOULD ACQUIRE AN ENLARGED REFINERY, PLUS FACTORIES FOR DRY BATTERIES, CERAMICS, READY-MADE CLOTHS, GLASS, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 JIDDA 03782 02 OF 03 281058Z

HOUSEHOLD APPLIANCES, BRICKS, GRAIN SILOS AND FLOUR MILLS PLUS FOOD PROCESSING AND SUGAR REFINING.

C. INDUSTRIALIZATION COSTS ALONE HAVE BEEN REPEGGED AT 60 BILLION RIYALS (\$17 BILLION). STRESS WILL BE LAID ON DIVERSIFYING THE SOURCES OF INCOME AND EXPLOITING MINERAL RESOURCES OF THE KINGDOM. NAZER CLAIMED 16 METALS HAD ALREADY BEEN DISCOVERED IN WHAT APPEARED TO BE COMMERCIAL QUANTITIES.

5. MANPOWER AND TRAINING EXPENSES: NOWHERE DOES THE GAP BETWEEN THE PLAN AND REALITIES IN THE KINGDOM BECOME MORE APPARENT THAN IN MANPOWER. NAZER GAVE A DESCRIPTION OF THE SKILLED AND UNSKILLED LABOR DEMANDS AND AVAILABILITIES DURING THE FIRST FIVE-YEAR PLAN TO CONTRAST IT WITH THE SECOND PLAN. THE ANALYSIS INDICATES THAT THERE WAS A DEMAND FOR 340,000 UNSKILLED WORKERS WHILE ONLY 224,000 WERE AVAILABLE. DURING THE SECOND PLAN, THE DEMAND FOR UNSKILLED WILL CLIMB TO 466,000 AND THE SUPPLY WILL REACH A LITTLE MORE THAN HALF OF THAT, OR 296,000. FOR SKILLED, THE AVAILABILITY WAS ONLY 90,000 DURING THE FIRST PLAN AND THE DEMAND WAS MORE THAN 218,000. NAZER CLAIMED THE TOTAL DEMAND WOULD RISE TO 1.8 MILLION IN THE SECOND PLAN AND THAT ONLY 28,000 SAUDIS WOULD GRADUATE FROM VOCATIONAL TRAINING INSTITUTIONS.

(COMMENT: WHILE THERE MAY BE JOURNALISTIC ERRORS IN THIS REPORT, IT IS OBVIOUS THAT EVEN TRAINING 28,000 SKILLED

SAUDIS DURING THE PLAN WILL BE DIFFICULT IF NOT IMPOSSIBLE.)

6. MANPOWER TRAINING EXPENSES ARE PROJECTED AT 89 BILLION RIYALS, OR MORE THAN \$25 BILLION DOLLARS, OBVIOUSLY IMPOSSIBLE TO ACCOMPLISH IN FIVE YEARS. DEFENSE IS PROJECTED AT ABOUT THE SAME FIGURE AND FOREIGN AID IS ESTIMATED AT 56 BILLION RIYALS, OR ABOUT \$16 BILLION. AGRICULTURE COST ARE GIVEN AS 40 BILLION RIYALS, ABOUT ONE HALF THE COST OF DEFENSE, AGAIN LIKELY TO BE A MUCH INFLATED FIGURE. THE KINGDOM PROJECTS SPENDING 73 BILLION RIYALS ON EDUCATION, OR MORE THAN 20 BILLION DOLLARS IN FIVE YEARS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 JIDDA 03782 02 OF 03 281058Z

7. PROBABILITY OF PROJECTS DOUBTFUL: THE ONLY INFORMED AND CRITICAL COMMENT WE HAVE HEARD ABOUT THE KEY INDUSTRIALIZATION PLAN COMES FROM A SAUDI PLANNER IN THE MINISTRY OF PETROLEUM WHO HAS JUST RETURNED FROM DISCUSSIONS WITH MANY OF THE VERY COMPANIES IN EUROPE AND THE U.S. WHO HAVE PROPOSALS BEFORE SAG. HE SAID THAT THE COMPANIES WERE UNIVERSALLY FRANK AND PESSIMISTIC ABOUT THE ECONOMICS OF BUILDING AND OPERATING PLANTS IN SAUDI ARABIA, EVEN HYDROCARBON RELATED ONES, IN TERMS OF THE CURRENT EXPECTATIONS FOR GROWTH IN THE MAJOR MAKETS. ONLY THE STEEL PROJECT WIT ITS DOUBLE-ACTING SAVINGS ON SHIPPING APPEARED TRULY ECONOMIC WITHOUT SUBSIDY FROM SAG, AND EVEN THIS DEPENDED ON THE LEVEL OF GAS PRICING. IF OPEC OR OAEPC SHOULD CHOOSE TO SET GAS PRICE GUIDELINES THAT WERE RELATED TO PETROLEUM BTU COSTS OF ENERGY, NONE OF THE PROJECTS WOULD BE ECONOMIC. (EMBASSY DOUBTS SUCH FRANK VIEWS WILL BE BROUGHT TO THE ATTENTION OF SAUDI DECISION MAKERS OFFICIALLY BY THE COMPANIES WHO ARE MORE CONCERNED WITH THEIR ACCESS TO SAUDI CRUDE IN ONE WAY OR ANOTHER THAN IN THE PROJECTS THEMSELVES.)

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 JIDDA 03782 03 OF 03 281101Z

50

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 SAM-01 FEAE-00

PRS-01 NSC-05 SS-15 STR-04 CEA-01 PA-01 AGR-05 /098 W

----- 087364

R 280900Z MAY 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 1376

INFO AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

LIMITED OFFICIAL USE SECTION 3 OF 3 JIDDA 3782

8. MEANING FOR U.S. TRADE: AS THE ACTUAL PARAMETERS OF SAUDI GROWTH WILL BE DEFINED BY AMBIGUOUS MANPOWER AND INFRASTRUCTURAL CONSTRAINTS RATHER THAN BY FINANCIAL RESOURCES, IT IS IMPOSSIBLE TO MEANINGFULLY QUANTIFY TRADE AND INVESTMENT IMPLICATIONS OF THE PLAN FROM A COMMERCIAL POINT OF VIEW. IT IS MANIFESTLY IMPOSSIBLE FOR THE CURRENT EXPONENTIAL RATE OF GROWTH OF SAUDI IMPORTS TO CONTINUE MUCH LONGER, BUT THE POINT AT WHICH THE CURVE BEGINS TO FLATTEN WILL BE DEFINED BY AS YET UNMADE MANAGERIAL AND ORGANIZATIONAL DECISIONS AS MUCH AS BY PHYSICAL INFRASTRUCTURE LIMITATIONS. WHATEVER THE ABSOLUTE LEVEL, IT IS CLEAR SAUDI ARABIA HAS ALREADY CEASED TO BE A SECONDARY AND BECOME A KEY PRIMARY MARKET IN WORLD TRADE. MUCH OF THE IMPORT DEMAND WILL BE DIRECTLY CONNECTED TO ACTUAL RATE OF PLAN IMPLEMENTATION, BUT MUCH WILL ALSO RESULT FROM GENERAL GROWING AFFLUENCE OF THE 5-6 MILLION HERE NOW AND THE ONE MILLION FOREIGNERS LIKELY TO COME IN THE NEXT TEN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 JIDDA 03782 03 OF 03 281101Z

YEARS. THE OVERWHELMING BULK OF INVESTMENT WILL BE FOR THOSE PROJECTS IN THE PETROCHEMICAL SECTOR SPELLED OUT IN THE PLAN, ALTHOUGH SAG IS ALSO PLACING GREAT EMPHASIS ON GENERAL MANUFACTURING IN THE INTEREST OF ECONOMIC DIVERSIFICATION. DESPITE CONSIDERABLE INCENTIVES ALREADY IN FORCE, THE ECONOMIC FEASIBILITY OF MOST SUCH PROJECTS WILL DEPEND ON FURTHER FINANCIAL SUBSIDY AND NEW INSTITUTIONS. WHETHER THE PLAN WILL ADDRESS SUCH KEY QUESTIONS IN ANY

DETAIL REMAINS TO BE SEEN. REVENUE IS KEYED TO EIGHT MILLION BD AND SAUDI PROJECTION AT MOMENT IS SEVEN MBD, A CONSIDERABLE RECOVERY FROM LAST MONTH'S 5.6 MBD. HOWEVER, WE SHOULD ALL HOPE THAT EIGHT MBD FOR SAUDI ARABIA WILL TURN OUT TO BE A LOW, NOT A HIGH ESTIMATE FOR THE REMAINDER OF THE DECADE.

9. EMBASSY WILL BE REPORTING IN MORE DETAIL ON THE PLAN, AND HOPEFULLY WILL RECEIVE A COPY OF IT CONFIDENTIALLY OR OTHERWISE WITHIN THE NEXT FEW DAYS OR WEEKS. IT IS OBVIOUS THAT A TRULY CRITICAL EVALUATION OF THE PLAN WILL BE IMPOSSIBLE UNDER THE ATMOSPHERE OF SUPERDEVELOPMENT AND DESIRE TO PROVE THE NEED FOR A HIGH RATE OF PRODUCTION THAT PERVADES SOME SECTORS OF THE GOVERNMENT. NOR SHOULD THE U.S. OR OTHER FRIENDS OF SAG WORRY TOO MUCH ABOUT MAKING REALISTIC CRITICISM IN PUBLIC OR EVEN IN PRIVATE AT THIS POINT. IT IS OBVIOUS THAT MANY OF THE GOALS WILL BE SCRAPPED OR DRASTICALLY MODIFIED IN THE USUAL PRAGMATIC SAUDI WAY AND THAT DEVELOPMENT WILL CONTINUE TO ACCELERATE BUT BE KEPT WITHIN CERTAIN BOUNDS OF ABSORPTION SOCIALLY AND ECONOMICALLY AS IT HAS IN THE PAST. TRUE MACRO-ECONOMIC PLANNING IS NOT THE FORTE OF SAUDIS IN ANY CASE AND ASIDE FROM A FEW PURISTS, EMBASSY EXPECTS THAT MOST SAUDIS WILL APPLAUD THE ACCELERATION OF DEVELOPMENT, GRIPE ABOUT WHAT IT IS DOING TO THEIR SOCIETY, AND BE UNDISTURBED IF PLAN GOALS ARE WIDELY UNREALIZABLE.

10. OVER-ALL, THERE APPEAR TO BE FAR MORE SUBSTANTIVE PLANNING HIDDEN BEHIND FIGURES IN THE SECOND PLAN THAN THERE WERE IN THE FIRST PLAN. WE WOULD ESTIMATE TOTAL ACTUAL DOMESTIC EXPENDITURES BY THE SAUDI ARABIAN GOVERNMENT DURING THE NEXT FIVE YEARS IN THE RANGE OF \$50-60 BILLION LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 JIDDA 03782 03 OF 03 281101Z

DOLLARS OBLIGATED AND NOT THE 142 BILLION SUGGESTED BY THE PLAN. NO FINANCIAL PLANNER SHOULD MISS THIS POINT.

11. FULL PRESS CONFERENCE STATEMENT BY NAZER UNDER TRANSLATION AND WILL BE POUCHED.  
AKINS

LIMITED OFFICIAL USE

NNN





## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PERSONNEL TRAINING, FIVE YEAR PLAN, DEVELOPMENT PROGRAMS, LABOR FORCE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 MAY 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ElyME  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975JIDDA03782  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750186-0421  
**From:** JIDDA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750514/aaaaamgo.tel  
**Line Count:** 376  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 7  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 116959  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 MAY 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 MAY 2003 by CunninFX>; APPROVED <06 OCT 2003 by ElyME>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SAUDI FIVE-YEAR PLAN BRIEFING AND EVALUATION  
**TAGS:** EGEN, ECON, SA, US, USSAEC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006